

# City Overview

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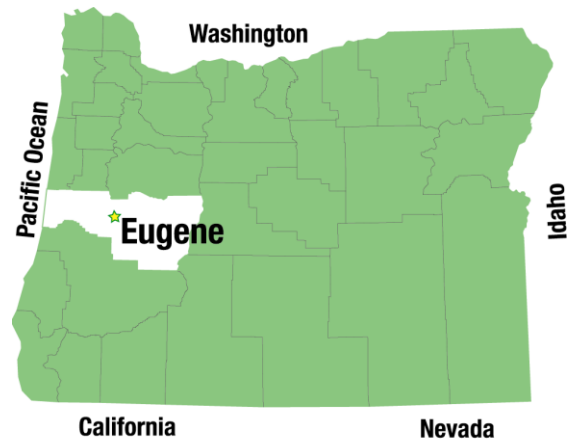
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## Introduction

Eugene is located in the southern Willamette Valley of western Oregon, in close proximity to the Pacific Ocean and the Cascade Mountain Range. Citizens and visitors enjoy a mild climate, extensive outdoor recreation and fitness opportunities, and diverse and dynamic cultural offerings. Incorporated in 1862, Eugene has grown to cover approximately 44 square miles. It is the largest city in Lane County and is the second largest city in Oregon, with a population of 160,775.

The Union Pacific Railroad line between Portland and New Orleans by way of Los Angeles serves the area. Amtrak stops in Eugene on its twice-daily passenger run. Intra-city public bus service is provided by Lane Transit District. The Eugene Airport, operated by the City of Eugene, is the largest airport between Portland and San Francisco. Nonstop air service is provided by five airlines. Destinations include Portland, Seattle, San Jose, San Francisco, Oakland, Los Angeles, Denver, Salt Lake City, Las Vegas, Honolulu and Phoenix-Mesa.



## Eugene's Economy

The City of Eugene is at the heart of a metropolitan area that encompasses the adjacent city of Springfield with a population of 60,065, adjacent unincorporated urbanized areas and nearby small cities including Coburg, Creswell, Veneta and Cottage Grove, all within commuting distance. The Eugene-Springfield area has a highly integrated economy and the U.S. Census has designated all of Lane County as the Eugene-Springfield Metropolitan Statistical Area (MSA).

The two pillars that have historically provided relative stability in Eugene's economy are the large public sector employment base and population in-migration. In-migration has bolstered the area's population growth over the past decade. The University of Oregon, available health care, and abundant outdoor recreation amenities make Lane County a favorable place to live. California has been the largest source of new residents to the area due to Eugene's proximity, natural and cultural amenities, and relatively lower cost of living.

Federal, state and county government agencies are centered in Eugene, as well as the University of Oregon (UO). In the 2014-15 academic year, 24,181 students were enrolled at UO. Among University faculty members and alumni, there are two Nobel Prize recipients, 13 Pulitzer Prize winners, 19 Rhodes scholars, 58 Guggenheim fellows, and 129 Fulbright scholars. The University of Oregon was also ranked within the top 2% of U.S. research universities by the Carnegie Foundation in 2010. In fiscal year 2014, the University generated over \$110 million in sponsored research activity and \$7 million in licensing revenue, putting UO among top performers nationally for research institutions. The University is also a major contributor to Oregon's economy, generating economic activity estimated at more than \$2 billion. Northwest Christian University and Lane Community College are also located in Eugene.

Eugene's economy typically follows the trends of the state and national economies. The unemployment rate for the Eugene-Springfield MSA rose sharply as a result of the Great Recession, from an average annual rate of 6.7% in 2008 to a high of 12.1% in 2009. This was partly due to job losses the metropolitan area experienced in RV manufacturing, wood products, and high-tech manufacturing. Since the end of the recession the local economy has steadily improved and by May, 2015, Eugene-Springfield's annual unemployment rate dropped to 5.6%. This is the lowest unemployment rate in seven years, but the Eugene-Springfield area has yet to regain all the jobs lost during the recession.

Eugene's economy has been aided by large construction projects at the University of Oregon, expansion in health care services, growth in the food and beverage sector, hospitality and events. Several recent projects at the University have boosted local construction activity such as the recent completion of a \$50 million expansion of the student recreation center that opened earlier this year. Additionally, a \$95 million expansion and renovation of the Erb Memorial Union is expected to be completed sometime this summer. Large real estate firms have also made recent moves into the student housing market; Principal Financial Group, an Iowa-based Fortune 500 firm, purchased a six-story student apartment complex for \$45.5 million in March. And American Campus Communities is completing a \$65 million apartment building that will open in 2015.

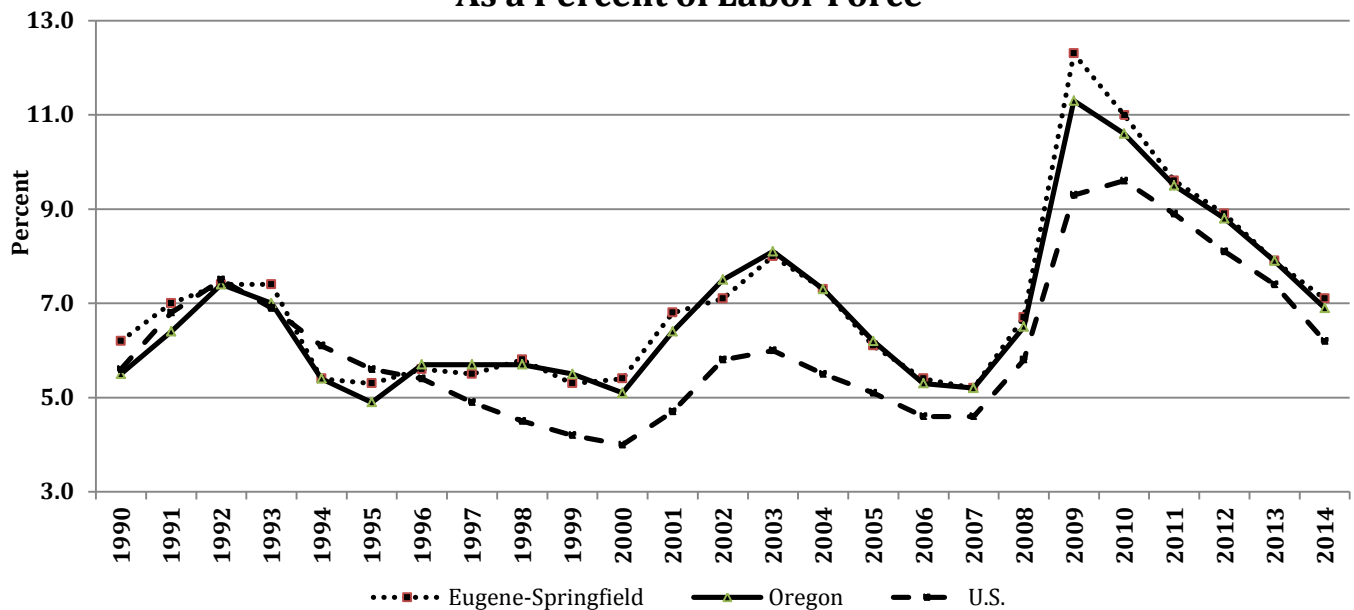
The University District campus is home to the Center for Medical Education and Research, a partnership among the University of Oregon, Oregon Health Sciences University and Sacred Heart to train new physicians. The campus employs more than 1,250 people and serves to strengthen the city's health care sector. With the federal Affordable Care Act of 2010 now fully implemented, the number of Oregonians uninsured has dropped, providing greater payment stability to hospitals, clinics and the city's economy. Kaiser Permanente, one of the nation's largest nonprofit health care providers serving 9.6 million people, is planning to enter the Eugene market in 2016 by opening two new clinics. Additionally, the U.S. Department of Veterans Affairs (VA) is working to complete a \$60 to \$80 million clinic in north Eugene that is expected to employ 235 people and scheduled to open in January 2016.

Eugene's food and beverage industry continues to thrive by responding to consumer preferences for local products. Small-scale agriculture, specialty food stores, breweries and restaurants have synergized into a food manufacturing cluster that has grown over the last 10 years despite a slowdown in other sectors of the economy. Larger natural food companies have taken notice. Whole Foods plans to build a \$3.25 million, 34,000 square foot store that will open in downtown Eugene in 2016.

Eugene will again host the U.S. Olympic Team Trials for track and field in 2016. The University's venerable Hayward Field, which has received multi-million dollar upgrades, will host the event that draws approximately 20,000 visitors. Eugene was also recently selected by the International Association of Athletics Federation (IAAF) to host the 2021 World Outdoor Track and Field Championship, marking the first time this prestigious event has been held in the United States. Large events are helping to expand the city's lodging amenities. Hilton Hotels is planning to complete a new 120-room hotel in downtown Eugene by spring 2016, and Hyatt is scheduled to open a new 124-room hotel just north of downtown by summer 2016. These and other developments are helping the city evolve and grow from its traditional lumber and manufacturing based economy.

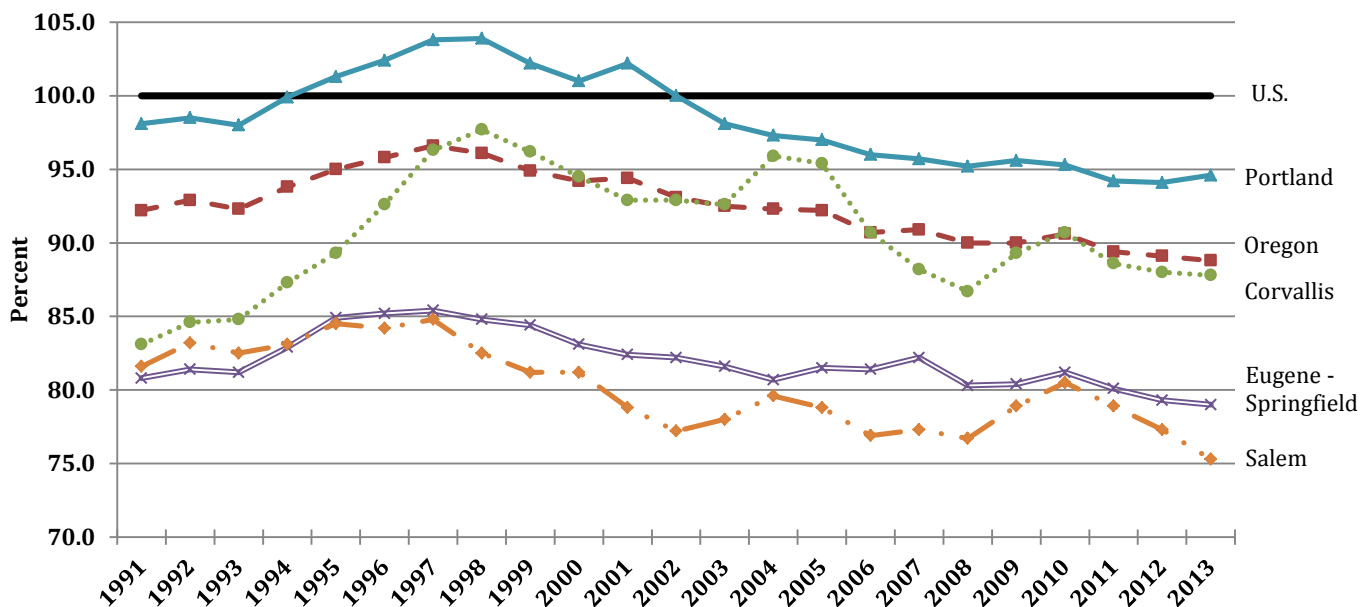
## Economic and Demographic Tables

### Average Annual Unemployment As a Percent of Labor Force



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics  
Local data is shown at the Eugene-Springfield Metropolitan Statistical Area (MSA) level.

### Per Capita Personal Income As a Percent of the U.S. Average (U.S. = 100; based on data at Metropolitan Statistical Area levels)



Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts; Local data is shown at the Metropolitan Statistical Area (MSA) level. 2014 data not available at time of printing.

### Lane County: Eugene-Springfield MSA Employment Distribution by Industry

Calendar Year	2005		2014		2005-2014
	Annual	% of Total Employment	Annual	% of Total Employment	Annual % Change
<b>Manufacturing</b>					
Wood Products Manufacturing	4,919	3.4%	3,417	2.4%	-3.1%
Transportation Equipment Manufacturing	4,456	3.1%	510	0.4%	-8.9%
Other Goods	10,884	7.5%	9,071	6.4%	-1.7%
<b>Total Manufacturing</b>	<b>20,259</b>	<b>14.0%</b>	<b>12,998</b>	<b>9.1%</b>	<b>-3.6%</b>
<b>Non-Manufacturing</b>					
Mining and Logging	1,965	1.4%	2,142	1.5%	0.9%
Construction	7,322	5.0%	5,560	3.9%	-2.4%
Wholesale Trade	5,677	3.9%	5,774	4.1%	0.2%
Retail Trade	18,939	13.0%	19,277	13.6%	0.2%
Transportation, Warehousing and Utilities	2,941	2.0%	3,093	2.2%	0.5%
Information	3,458	2.4%	3,413	2.4%	-0.1%
Financial Activities	7,109	4.9%	6,072	4.3%	-1.5%
Professional and Business Services	15,970	11.0%	15,676	11.0%	-0.2%
Education and Health Services	19,072	13.1%	22,903	16.1%	2.0%
Leisure and Hospitality	13,694	9.4%	15,536	10.9%	1.3%
Government	23,486	16.2%	24,156	17.0%	0.3%
Other Services	5,334	3.7%	5,588	3.9%	0.5%
<b>Total Non-Manufacturing</b>	<b>124,967</b>	<b>86.1%</b>	<b>129,190</b>	<b>90.9%</b>	<b>0.3%</b>
<b>Total Employment</b>	<b>145,226</b>	<b>100.0%</b>	<b>142,188</b>	<b>100.0%</b>	<b>-0.2%</b>

Source: Oregon Employment Department. Figures may not add due to rounding.

### Demographic Statistics

<u>Fiscal Year</u>	<u>Population</u>	<u>Area (square miles)</u>	<u>Average density (persons/square mile)</u>
1960	50,977	14.5	3,516
1970	76,346	26.3	2,903
1980	106,486	32.0	3,328
1990	112,733	38.2	2,951
2000	137,893	41.4	3,331
2005	144,640	41.5	3,485
2006	146,160	41.5	3,522
2007	148,595	41.5	3,581
2008	153,690	42.0	3,659
2009	154,620	43.8	3,530
2010	157,100	43.8	3,587
2011	156,295	43.8	3,568
2012	157,010	43.9	3,577
2013	158,335	44.0	3,599
2014	159,580	44.1	3,619
2015	160,775	44.2	3,637

Source: Population Research Center at Portland State University, City of Eugene

### Ten Principal Taxpayers - City of Eugene Tax Year 2014 (Fiscal Year 2015)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Tax Amount</u>	<u>% of Total Taxes Imposed</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Comcast Corporation	Utility	\$2,396,987	2.27%	\$128,755,900	0.99%
Valley River Center LLC	Retail	1,977,309	1.87%	113,970,174	0.87%
Shepard Investment Group LLC	Real Estate	1,175,664	1.11%	64,685,823	0.50%
Verizon Communications	Utility	1,113,850	1.05%	65,799,000	0.50%
McKay Investment Co. LLC	Investments	1,042,453	0.99%	56,942,365	0.44%
Chase Village LLC	Real Estate	712,422	0.67%	37,585,917	0.29%
Centurylink	Technology	699,376	0.66%	41,192,500	0.32%
Molecular Probes Inc.	Biotechnology	616,934	0.58%	36,294,736	0.28%
Hynix Semiconductor Inc.	Technology	594,169	0.56%	34,903,780	0.27%
Northwest Natural Gas Co.	Utility	590,861	0.56%	34,825,400	0.27%
<b>Total</b>		<b>\$10,920,025</b>	<b>10.33%</b>	<b>\$614,955,595</b>	<b>4.72%</b>

Source: Lane County Assessment & Taxation

### Miscellaneous Statistical Data

#### Police:

Number of full-time budgeted employees (police officers and support staff)	328.2
Number of patrol vehicles	67

#### Fire and Emergency Medical Services:

Number of full-time budgeted employees (firefighters, EMTs, support staff)	206
Number of fire engines/trucks	26
Number of fire stations	11
Number of ambulances	10

#### Public Works:

Miles of maintained streets	538
Miles of alleys	43
Miles of sidewalks	792
Miles of enclosed stormwater lines and major channels	640
Miles of local and regional wastewater lines	821

#### Parks and Recreation:

Community parks	16
Neighborhood parks	46
Park acres (developed and natural)	4,318
Playgrounds	52

#### Number of Parks and Recreation Facilities:

Amphitheater	1
Performing arts center	1
Community centers	6

#### Numbers of Parks and Recreation Facilities(cont.):

9-hole golf course	1
Indoor/outdoor pool	3
Athletic fields (maintained by City)	47
Historic districts	2
Historic properties (Nat'l. Register)	68
Jogging and hiking trails (miles)	44
Bike lanes on streets (miles)	187
Bike paths (off-street miles)	46
Community gardens	6
Skateparks	6
Tennis courts	23

#### Education:

Number of public school programs:	
Elementary	24
Middle	14
High School	10
University	2
Community College	1
Grades K-12	
Number of students	21,700

Source: City of Eugene,  
School District No. 4J and No. 52

### City Government Organization

The City of Eugene, incorporated in 1862, is a home rule charter city. This charter is the basic law under which the City operates. Amendments to the charter can only be made by a vote of the people and can be placed on the ballot by the Council or by the voters through an initiative process.

Ordinances enacted by the City Council also govern the City. The Council can change an ordinance at any time or the voters of Eugene can initiate an ordinance change. City ordinances become effective 30 days after they are passed by the Council and approved by the Mayor. Emergency measures needed for the health, peace and safety of the city are effective immediately following a favorable vote by two-thirds of the Council.

The Mayor is the formal representative of the City of Eugene and is elected to a four-year term by the voters at large on a non-partisan ballot. The Mayor presides over Council meetings and does not vote, except in the case of a tie. The Mayor can veto any Council decision, but a two-thirds vote of the Council can override the veto.

The City Council is composed of eight councilors elected to four-year terms on a non-partisan ballot. One councilor is elected from each of the eight wards in the city, with one-half of the Council elected every two years. New wards may be created or the boundaries of wards may be changed by Council action. The Council's authority extends over all the City's powers and sets the policies by which the City serves its citizens. The Council takes official action at regular Council meetings, which are open to the public. The Mayor may call a special meeting, provided that the public is given 24-hour notice.

Under a council-manager form of government, the Council is responsible for selecting a City Manager. The City Manager is responsible for the business, financial, and property transactions of the City, as well as preparation of the annual budget, appointment and supervision of personnel, enforcement of City ordinances, and the organization and general management of City departments. As chief administrator, the City Manager has no vote in the Council, but may take part in discussions of matters coming before the legislative body.

In November 2005, voters approved a charter amendment to enable the City Council to hire an independent Police Auditor and appoint a citizen review board to oversee and investigate complaints filed against police employees and to report on police complaint trends and practices. The Police Auditor's Office was created in the FY07 budget.



**George Brown**

Term: 01/2013 - 01/2017

**Ward 1**



**Kitty Piercy**

Term: 01/2013 - 01/2017

**Mayor**



**Betty Taylor**

Term: 01/2013 - 01/2017

**Ward 2**



**Alan Zelenka**

Term: 01/2015 - 01/2019

**Ward 3**



**George Poling**

Term: 01/2015 - 01/2019

**Ward 4**



**Mike Clark**

Term: 01/2015 - 01/2019

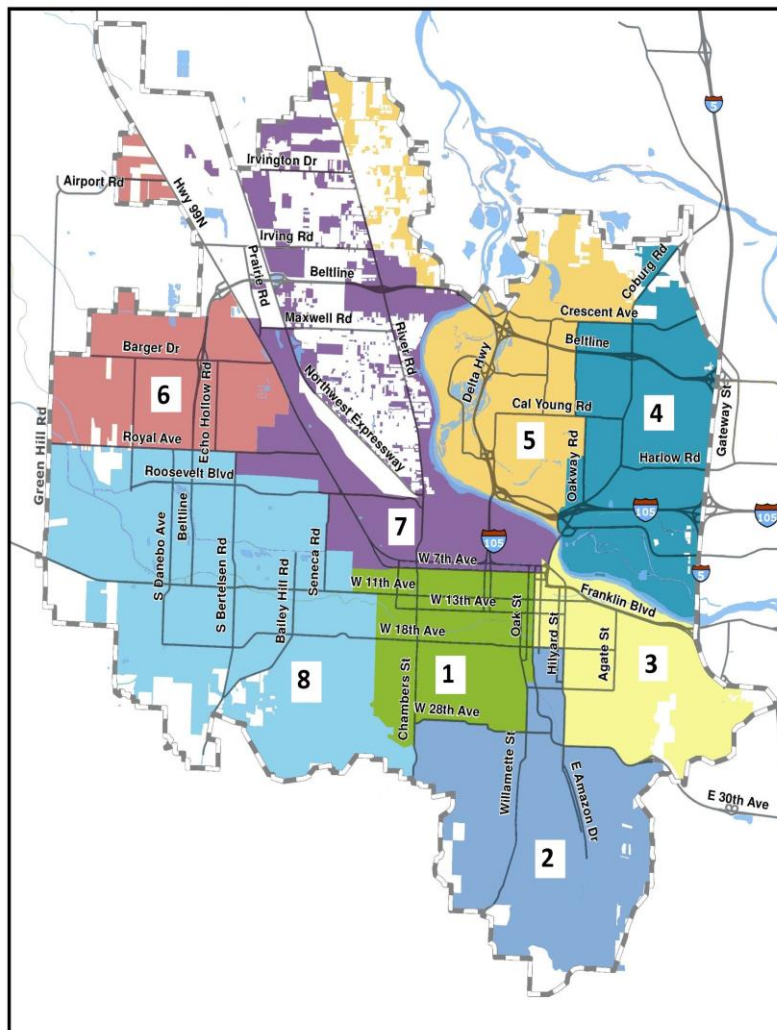
**Ward 5**



**Greg Evans**

Term: 01/2015 - 01/2019

**Ward 6**



**Claire Syrett**

Term: 01/2013 - 01/2017

**Ward 7**



**Chris Pryor**

Term: 01/2013 - 01/2017

**Ward 8**



The City Council adopts goals that provide major policy direction for budget allocations and service delivery. The City Council adopted the following vision and goals in spring 2009.

### VISION

Value all people, encouraging respect and appreciation for diversity, equity, justice, and social well-being. We recognize and appreciate our differences and embrace our common humanity as the source of our strength;

Be responsible stewards of our physical assets and natural resources. We will sustain our clean air and water, beautiful parks and open spaces, livable and safe neighborhoods, and foster a vibrant downtown, including a stable infrastructure;

Encourage a strong, sustainable and vibrant economy, fully utilizing our educational and cultural assets, so that every person has an opportunity to achieve financial security.

### GOALS AND OUTCOMES

#### Safe Community

*A community where all people are safe, valued and welcome.*

- **Decreased property crime**
- **Greater sense of safety (especially downtown)**
- **Visible and accessible police presence**
- **Better police/community relations**

#### Sustainable Development

*A community that meets its present environmental, economic and social needs without compromising the ability of future generations to meet their own needs.*

- **Increased downtown development**
- **Strategic job creation/decreased unemployment**
- **Support for small and local business**
- **Decision-making that weighs economic, social equity and environmental (triple bottom line) effects**

#### Accessible and Thriving Culture and Recreation

*A community where arts and outdoors are integral to our social and economic well-being and are available to all.*

- **Accessible to all incomes**
- **Preserve strength in arts and outdoors**
- **Invest in arts and culture as an economic engine**

### **Effective, Accountable Municipal Government**

*A government that works openly, collaboratively, and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services.*

- **Transparent and interactive community**
- **Public engagement that involves the community broadly**
- **Stronger partnership between government entities**

### **Fair, Stable and Adequate Financial Resources**

*A government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.*

- **A long-term sustainable budget**
- **New or expanded revenue sources**
- **Accessible and transparent financial information**

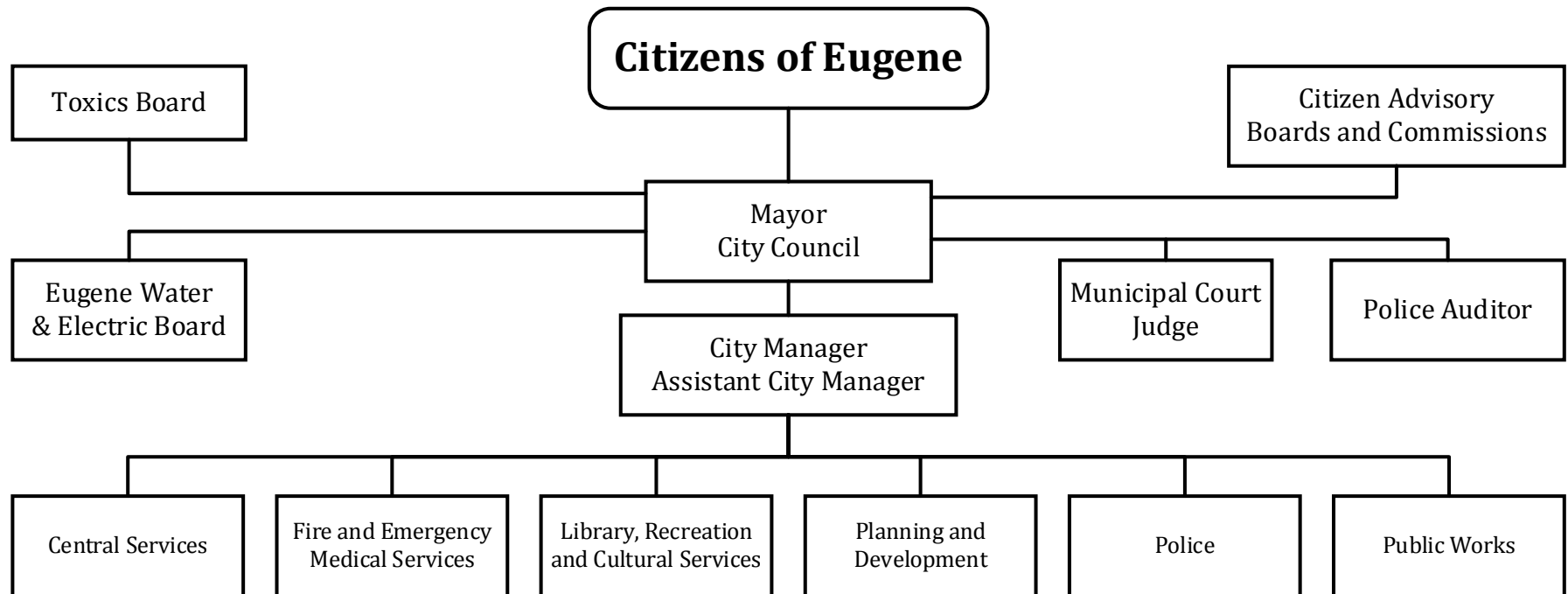
The citizens of Eugene are the most important part of the City organization. Councilors are elected by the citizens to represent their interests on the Council, and City services are directed to meet their needs. Public hearings are routinely held so that citizens can contribute to the planning and budgeting process of the City.

Another way for citizens to have input in how the City is governed is through the City's advisory groups. The City of Eugene uses three types of advisory groups. The first is the standing committee. The Mayor and City Council appoint citizens to serve on six standing committees: the Budget Committee, the Human Rights Commission, the Planning Commission, the Police Commission, the Civilian Review Board, and the Sustainability Commission. These committees make recommendations to the City Council on policy issues and advise City staff on certain operational matters.

The second type of advisory group is the ad hoc committee. The City Council appoints ad hoc committees to study and make recommendations on specific issues. These committees disband when the assigned task is completed.

The City's third type of advisory group is the departmental advisory committee. These groups are formed on an as-needed basis to develop recommendations for City staff. Members of these groups are appointed by City staff, work on one issue and meet for a limited period of time.

To ensure a wide range of viewpoints on departmental advisory committees, members are selected from three pools. The special interest pool is made up of people with technical expertise or other previous involvement on the issue. The neighborhood pool is comprised of representatives from Eugene's neighborhood organizations. The voter pool is a randomly generated list of registered voters who have expressed a willingness to serve on advisory committees.



The services provided by Central Services include support for the City Manager and elected officials; legal services; information services; neighborhood services; facility planning, construction oversight and maintenance and preservation of public buildings; management of City finances; personnel and risk services including hiring, training and development, labor relations, employee benefits, workers' compensation, safety, liability and property claims management and emergency management. The City Prosecutor's Office and Municipal Court services are also provided within Central Services.

This department provides fire and emergency medical services to Eugene and the adjacent districts that contract for services. The department also responds to regional hazardous materials incidents.

The mission of this department is to broaden community access to lifelong learning, recreation, and cultural experiences. The facilities managed by this department include the Hult Center for Performing Arts, the Eugene Public Library, community centers, senior centers, and swimming pools.

By focusing on planning, development, and building safety activities, this department aids the City Council in setting the course for social, economic, and physical development in Eugene. Specific services include long-range planning, land use application processing, permit services, building code enforcement, and community development.

This department provides emergency and incident response to calls to protect the lives, rights, and property of citizens. The department also provides proactive problem management and community services which promote a safer community and prevent crime.

Among the services and programs managed by the Public Works Department are the Wastewater Treatment Plant; the Eugene Airport; streets, sidewalks, street trees, bike paths, traffic lights, and street lights; engineering services; and the construction and maintenance of parks and sewers.

## Services in the Budget Document

The City of Eugene provides a wide range of services to its citizens. This budget document provides two views of the Operating Budget: the department view and the service view.

### Department View

The department view presents the budget for each department and division and includes organization charts and a description of department functions. The City is comprised of six departments: Central Services; Fire and Emergency Medical Services; Library, Recreation and Cultural Services; Planning and Development; Police; and Public Works. The department view answers such questions as: “How is the City organized to deliver services? What appropriation is budgeted for each major organizational unit?”

### Service View

The service view presents the operating budget for the City’s 44 services. In the budget, these services have been grouped into the following broad service areas:

- **Public Safety Services** include fire prevention and firefighting, emergency medical services, 9-1-1 call taking and dispatch services, police patrol and investigation services, municipal court, and animal control services. The City also provides social services through partnerships with other public and private non-profit agencies.
- **Infrastructure and Planning Services** include acquisition, development and maintenance of streets, sewers, parks, buildings, parking lots and structures. These services also include land use planning, issuance of building permits, administration of the Community Development Block Grant and Urban Renewal Agency, and operation of the airport.
- **Culture and Recreation Services** include the Eugene Public Library, recreational services, and operation of the Hult Center for the Performing Arts and Cuthbert Amphitheater.
- **Central Business Functions** include civic leadership and collaboration services, community engagement services, human resources, financial services, fleet services, legal services, information technology, and other business management services. Although the services are primarily internal to the organization, they enable the City to provide services to the community in an efficient manner.

### Local Budget Law

The framework for municipal budgeting is established by Oregon's Local Budget Law as set forth in Chapter 294 of the Oregon Revised Statutes. This law has two major objectives:

- To provide standard procedures for preparing, presenting, adopting and administering local government budgets; and
- To ensure citizen involvement in the preparation of the budget by providing public exposure to the budget and opportunities for public comment before its final adoption.

Budgeting in Oregon is a joint effort between the people affected by the budget and the appointed and elected officials responsible for providing the services. Elected or appointed officials determine the allocation of resources to the service system. The budget process encourages citizens to provide comments about proposed programs and fiscal policies. The State of Oregon Department of Revenue checks to see that the budget is prepared according to the Oregon Local Budget Law.

To give the public ample opportunity to participate in the budgeting process, Local Budget Law requires that a budget officer be appointed and a Budget Committee be formed. The budget officer draws together necessary information and prepares the first draft of the budget. The Budget Committee then reviews and revises the proposed budget before making a recommendation to the City Council. Notices are published, budgets are made available for review and at least two public hearings are held – one before the Budget Committee and one before the City Council. These requirements encourage public participation in the budget-making process and give public exposure to budgeted programs and fiscal policies before the governing body of the municipal corporation adopts the budget.

Citizen involvement in the budget cycle varies from one community to the next. Each local government prepares a budget that clearly outlines its fiscal policies and is satisfactory to the voters of the jurisdiction. If a budget is clear and concise, taxpayers have a better understanding of the purposes for which their tax dollars are spent.

In addition to governing the budget process, Oregon law limits the taxing authority of municipalities. While fees and charges for services provide some revenues for local government, the primary source of revenue in the City's General Fund is property taxes. When determining the level of services deemed essential, the Budget Committee also determines the amount of property taxes that need to be levied to meet expenditures.

Oregon Administrative Rules, implementing Chapter 294 of the Oregon Revised Statutes, require jurisdictions within Oregon to propose and adopt balanced budgets. According to the State of Oregon definition (OAR 150-294.388), a balanced budget is an estimate of expenditures and resources whereby total resources in a fund equal the total expenditures and requirements for that fund, and the total of all resources equal the total of all expenditures and all requirements for all funds of the jurisdiction.



### City of Eugene Budget Process

There are four distinct phases in the City's budget cycle:

- The **preparation** stage, when the City Council, in consultation with the Budget Committee, develops strategies for the upcoming budget, and City staff balances projected revenues and expenses and develops the City Manager's proposed budget;
- The **review and approval** stage, when the Budget Committee reviews the City Manager's proposed budget, holds a public hearing, formulates and forwards its budget recommendation to the City Council, which adopts the annual budget for the next fiscal year;
- The **implementation** stage, when services and policies financed by the approved budget are carried out; and
- The **evaluation** stage, when audits are conducted and annual financial reports are produced.

Each phase involves a coordinated effort between the City Council, the Budget Committee, the City Manager, the Finance Division, and department staff. The entire process covers a period of more than two years.

### Adjusting the Adopted Budget

Local Budget Law outlines a supplemental budget process whereby changes can be incorporated into the approved budget. Supplemental budgets typically require a public hearing prior to City Council approval.

Examples of adjustments to the budget might include any of the following:

- Unanticipated expenditures;
- Adjustments resulting from the year-end audit;
- Grants received for specific programs or services; or
- Reprogramming existing appropriations to different purposes or to continued programs that were not completed the prior year.

Prior to the meeting, the City Council receives a briefing memo on the proposed supplemental budget. Council then holds a public hearing and accepts testimony from those wishing to speak. At the meeting, Council has the opportunity to ask questions.

Following testimony and any further discussion, the City Council takes action on the supplemental budget. Once it has been approved, the legal appropriations for the fiscal year are changed.

### Evaluation

The City prepares a Comprehensive Annual Financial Report (CAFR) at the close of each fiscal year. The CAFR includes, among other things, a comparison of the budget and the actual results for the just-ended fiscal year, and a statement about the ending balance for each fund. The purpose of



the CAFR is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City on a standardized basis.

The City is required to contract with an authorized accounting firm for the audit of its accounts and fiscal affairs under Oregon laws (ORS 297.425). The auditors conduct the audit of the City's basic financial statements in accordance with generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations. The main purpose of the audit is to ensure that there is reasonable assurance about whether the basic financial statements are free of material misstatement and whether the City complied with the laws and regulations pertaining to federally-funded programs. In addition to state and federal requirements, the City has a contractual obligation in connection with its debt issuances requiring the City to issue annual audited financial statements.

The City contracted with the firm of Isler CPA for the audit of the City of Eugene's financial statements for the fiscal year ended June 30, 2014. Isler CPA issued an unqualified opinion ("clean opinion") on the basic financial statements. A clean opinion is an important indicator of sound financial management and creditworthiness to the citizens, other governmental jurisdictions (state and federal), credit rating agencies, investment bankers, bond holders, and other private sector entities. In addition, two reports that specifically address compliance with Federal laws, regulations, contracts and grants, indicated that the auditors found no material instances of the City's noncompliance with these requirements, nor were there any findings or questioned costs noted in relation to Federal awards made to the City.

## September - December 2014

- FY14 financial audit is completed.
- Staff prepare the FY15 Supplemental Budget (SB) #1 which amends the FY15 Budget for unanticipated revenues and expenditures and audited beginning working capital.
- ① FY15 SB1 advertisement, public hearing and Council action for adoption.

## January - March 2015

- Citizen members of the Budget Committee conduct service profile reviews for eight City services.
- ① Budget Committee and City Council conduct public hearings on the FY16-21 Capital Improvement Program (CIP), review and adopts the CIP, which then becomes the basis for the FY16 capital budget.
- City staff prepare the FY16 Proposed Budget.

## April - May 2015

- City Manager presents the FY16 Proposed Budget which, at the time, contains no long-term budget gap.
- The Oregon Supreme Court issues its ruling on the lawsuit challenging PERS reforms enacted by the legislature in 2013. The ruling invalidates some of the reforms, but does not impact the FY16 budget. However, the future impact is anticipated to be negative and likely significant.
- ① Two Budget Committee public hearings are conducted.
- Budget Committee votes to recommend to the City Council the FY16 Proposed Budget with the addition of \$55,000 to Neighborhood Services to provide newsletter outreach and for matching grants. The property tax levy is also approved for recommendation as required by Oregon Local Budget Law.

## June 2015

- Summary of the FY16 budget as recommended by the Budget Committee is published per Oregon Local Budget Law.
- ① City Council conducts a public hearing and adopts the FY16 budget for the City of Eugene, including approval to receive State Revenue Sharing.
- Supplemental Budget (SB) #2 amending the FY15 budget for unanticipated revenues and expenditures is advertised and presented to the City Council for approval.
- ① City Council conducts a public hearing and adopts the Supplemental Budget.
- Fiscal year ends on June 30.

## July 2015

- New fiscal year begins July 1.
- FY16 tax levies are certified to the Lane County Assessor by July 15.
- FY15 financial audit begins.

### Basis of Budgeting

A legally-adopted budget is required by state law for all funds of the City. The legal level of budgetary control within each fund is at the following levels: current departmental requirements, debt service, capital projects, interfund transfers, interfund loans, intergovernmental expenditures, and special payments. Expenditures cannot legally exceed appropriations at these control levels. Council may amend the budget by adopting supplemental budgetary appropriations during the course of the year.

The City of Eugene maintains accounting records on a budget basis as well as a Generally Accepted Accounting Principles (GAAP) basis. Budgets for all City funds are essentially prepared on a modified accrual basis consistent with GAAP, except to the extent they also include various revenues and expenditures which, according to state law, are required to be accounted for on a basis other than GAAP. Under the GAAP modified accrual basis of accounting, revenues are recorded when both measurable and collectible during the current period (or shortly after the end of the period). Modified accrual expenditures are generally recognized when the liability is incurred, with the notable exception of interest on general long-term debt.

For transactions which were initially recorded in compliance with Oregon Local Budget Law, adjustments may be required for GAAP-basis reporting. For example, disbursements for prepaid expenditures and for the acquisition of proprietary fund capital assets are considered expenditures under Oregon Local Budget Law but would not be reported as current-year GAAP expenditures. Conversely, receipts of proceeds of proprietary fund debt financing and principal payments received on interfund loans are examples of budgetary resources which would not be reported as revenues under GAAP.

Encumbrance accounting is employed for administrative control in all funds. Encumbrances are established for the estimated purchase amounts prior to the release of purchase orders to vendors and for construction contracts upon bid award. Purchase orders which would result in budgetary over expenditures are not released until budgetary authority has been arranged, as appropriate. Encumbrances outstanding at year end do not constitute expenditures or liabilities. Such encumbrances are cancelled and, if appropriate, are then re-encumbered against the new year's budget, based on allowable appropriations.

### Financial Management

It is the responsibility of City staff, in particular the Finance Division, to monitor the City's financial status. Revenues and expenditures are monitored continually to determine whether resources are materializing as projected and to ensure that expenditures do not exceed allowable limits. Supplemental budgets are designed to facilitate the review and adjustment process necessary to ensure expenditures do not exceed legal spending limits.

City staff takes an active role in investing available cash balances. The City has an investment policy that is designed to ensure that the public's monies are invested in a manner that is safe and secure and available when they are needed, yet at the same time are yielding market rates of return.

### Debt Management

The City issues both short-term and long-term debt. Short-term notes or a line of credit are issued for construction-period financing for some capital improvements. The notes are repaid from the sale of long-term bonds or from property tax levies for general obligation bonds. The City does not borrow on a short-term basis to support on-going operations. The Non-Departmental Debt Service Section and the Financial Summaries Section provide further details regarding the City's outstanding debt.

### Policy Direction

The Financial Management Goals and Policies for the City of Eugene provide the framework and direction for financial planning and decision making by the City Council, City Boards, Commissions and Committees, and City staff. They are designed to ensure the financial integrity of the City and a service delivery system that addresses the needs and desires of Eugene's citizens and policies are periodically updated to reflect changes in Council policy, legal and professional requirements, and changes in accepted industry practices. The City Council adopted the Financial Management Goals and Policies on April 8, 1996. Minor edits have occurred since initial adoption. These include approval of the Debt Issuance Guidelines on May 14, 2007, and the Unappropriated Ending Fund Balance Policy (B.7.) in July, 2007.

Prudent management of Eugene's financial resources allows for the continued ability to provide municipal services, both operating services and infrastructure maintenance and enhancement. The management of municipal resources is complex. Competent financial management is needed to make effective and efficient use of City resources and ensure the security of City assets. An important process for assuring that financial management is both consistent and rational is through the adoption of financial management goals and policies.

NOTE: If the City Council chooses to deviate from any policy, it will propose at one meeting and adopt at a subsequent meeting a motion waiving the particular policy in question related to a specific issue and stating the reason for the waiver. Any waiver will be communicated to the Budget Committee with appropriate background material. This process was adopted by the City Council on April 8, 1996.

### A. Resource Planning and Allocation Policies

#### **Policy A.1.** *(City Council Goals and Policies)*

The City budget will support City Council goals and policies, Council adopted long-range plans and service needs of the community.

#### **Policy A.2.** *(Reporting and Control)*

The City will maintain financial systems which will develop budgets, provide control, and report revenues and expenditures at the line-item detail.

#### **Policy A.3.** *(Service Budgeting)*

The City will budget and report actual expenditures by service as well as by fund and organizational unit.

#### **Policy A.4.** *(Service Priorities)*

Operating and Capital budgets which reflect Council adopted service levels, will be prepared by the City Manager and reviewed by the Budget Committee consistent with the following municipal service priorities:

- a. Service Level 1. Preserve the public safety system, which includes the police, fire and emergency services, Municipal Court, and the Intergovernmental Human Services program.
- b. Service Level 2. Maintain and replace the City's fixed assets, which include equipment, infrastructure, and facilities so as to optimize their life.
- c. Service Level 3. Maintain and enhance efficiency of the administrative support and community planning systems in order to provide efficient and effective business management service and orderly community growth.
- d. Service Level 4. Provide affordable housing, specialized services for the less advantaged population, land use permits, and cultural, educational and recreational services.
- e. Service Level 5. Address the balance of municipal services when required for the preservation of health, safety or quality of life in the community, or community demand for incremental services.

#### **Policy A.5.** *(Operating and Capital Budgets)*

The relationship between the Operating and Capital budgets will be explicitly recognized and incorporated into the budget process. Funding for the Operating and Capital budgets shall be sufficient to provide for operating services and maintenance or enhancement of fixed assets needed to support City services.

#### **Policy A.6.** *(Revenue and Expenditure Projections)*

Revenues, operating and capital expenditures, and debt service will be projected each year for at least the succeeding six years.

**Policy A.7.** *(New Program Funding)*

Prior to authorizing funds for a new program, Council will receive an estimate of fiscal impact from the City Manager.

**B. Accounting and Financial Practices Policies**

**Policy B.1.** *(Accounting and Financial Reporting System)*

The City will maintain an accounting and financial reporting system that allows reporting in conformance with Generally Accepted Accounting Principles and Oregon Local Budget Law, and will issue a Comprehensive Annual Financial Report each fiscal year.

**Policy B.2.** *(Fund Management)*

The City will manage its funds as independent financial entities in accordance with legal, administrative, and Generally Accepted Accounting Principles and will ensure that funds are not co-mingled.

**Policy B.3.** *(Cost Allocation Plan)*

The City will annually prepare an internal Cost Allocation Plan (CAP). The CAP's purpose is to determine the cost of providing central business management services, or indirect costs, to the City's various funds. These indirect costs will be recovered from Non-General funds through the Central Services Allocation (CSA). This practice ensures the cost of General Fund central business management services are paid by Non-General funds receiving those services.

**Policy B.4.** *(Enterprise Funds)*

Whenever financially feasible, business type activities which receive their funding principally through user charges, will be established as Enterprise Funds if doing so will facilitate rate setting for cost recovery and provide information to determine the efficiency and effectiveness of operations.

**Policy B.5.** *(Contingency Funds)*

Each fund, as appropriate, will maintain a contingency account to meet unanticipated requirements during the budget year.

**Policy B.6.** *(Cash Balance and Financing)*

Each fund will maintain an adequate cash balance, borrow internally from another City fund, or, as a last resort, borrow externally to provide for cash flow requirements.

**Policy B.7.** *(Unappropriated Ending Fund Balance)*

In order to maintain a prudent level of reserves in the General Fund and any local option levy funds, the target amount of Unappropriated Ending Fund Balance (UEFB) to be budgeted shall be at least two months of operating expenses (excluding reserves and contingency).

**Policy B.8.** *(Replacement Accounts)*

The City will develop and fund replacement accounts for the City's fixed assets.

**Policy B.9.** *(Non-Dedicated Revenues)*

With the exception of grants or earmarked donations, the City will not normally earmark revenue for specific public purposes in general service funds such as the General Fund.

**Policy B.10.** *(Reserve Accounts, Non-Departmental)*

Non-Departmental Reserve accounts will be used for non-departmental resources designated for specific purposes. Appropriation by City Council is required prior to expenditure of funds.

**Policy B.11.** *(Marginal Beginning Working Capital)*

The highest priorities for use of Marginal Beginning Working Capital (difference between Actual Ending Working Capital in the prior year and Budgeted Beginning Working Capital in the current year) are: General Capital Projects Fund; Unappropriated Ending Fund Balance (up to target amount as defined in Policy B.7); General Fund Contingency, (not in priority order).

### C. Revenue and Collection Policies

**Policy C.1.** *(Revenue Base)*

The City will work to diversify the supporting revenue base in the General Fund.

**Policy C.2.** *(Cost Recovery – Fee Supported Services)*

The City Council will establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will determine the percent range of full service costs to be recovered through fees. The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate.

**Policy C.3.** *(Serial Tax Levies)*

To the maximum extent possible, serial tax levies will be used only for time-limited operating services or for capital improvements subject to the rate limitation for non-school governments.

**Policy C.4.** *(Dedicated Revenue – Capital Projects)*

To the maximum extent possible, the City will secure a dedicated revenue source to fund general and storm sewer capital projects.

**Policy C.5.** *(Foreclosure on Delinquent Accounts)*

Properties foreclosed under the Assessment Program and other programs which use foreclosure as a collection device, such as the Systems Development Charges Program, will be managed and disposed of in such a manner so as to attempt to reimburse the program for all direct and indirect costs incurred and so as not to disrupt the private real estate marketplace.

**Policy C.6.** *(Non-Recurring Revenue)*

Except for local option levies approved by the voters, the City will use non-recurring revenue on limited-duration services, capital projects, equipment requirements, or services



that can be terminated without significant disruption to the community or City organization.

### D. Capital Improvements Policies

#### **Policy D.1.** *(Capital Improvement Program)*

The City will plan for capital improvements over a multi-year period of time. The Capital Improvements Program will directly relate to the long-range plans and policies of the City. Operating funds to maintain capital improvements and to fund additional staff and service needs will be estimated and identified prior to making the decision to undertake specific capital improvements.

#### **Policy D.2.** *(Revenue Bonds – Capital Projects)*

Whenever a service is an enterprise or utility-based operation and where the ratepayer directly benefits, the City will work to finance capital improvements by using self-supporting revenue bonds, which could be General Obligation backed.

#### **Policy D.3.** *(General Obligation Bonds – Capital Projects)*

Use of General Obligation bonds will be limited to major capital construction or improvements as defined in ORS 310.140 in support of general municipal services.

#### **Policy D.4.** *(Assessments Bonds – Capital Projects)*

Financing of infrastructure improvements through use of Assessment bonds will be limited to those projects where the required assessed value-to-assessment ratio is met and to the extent the City's financial position permits the use of this financing device.

#### **Policy D.5.** *(City's Physical Assets)*

To maintain the City's physical assets, a current inventory of all of the City's physical assets and their condition and maintenance costs will be maintained.

#### **Policy D.6.** *(Sinking Funds)*

Council will make a specific determination whether to establish a replacement reserve sinking fund when creating an asset with a value in excess of \$1 million and a useful life in excess of 10 years.

### E. Debt and Investment Management Policies

#### **Policy E.1.** *(Bond Rating)*

The City will seek to maintain, and, if possible, improve its current Aa1 bond rating so its borrowing costs are minimized and its access to credit is preserved.

#### **Policy E.2.** *(Debt Issuance Guidelines)*

The City will have a specific set of debt issuance guidelines consistent with Federal, State, and local laws and policies.

#### **Policy E.3.** *(Investments)*

When making investments, the City will follow State law and local investment guidelines, and shall abide by the following criteria in priority order:



- a. Preservation of capital
- b. Maintenance of a liquid position
- c. Maximum yield

### F. Organizational Policies

#### **Policy F.1.** *(Organizational Structure Reviews)*

The City Manager will review the organizational structure at frequent intervals to assure that it is responsive to current conditions and minimizes service duplication in the organization and with other local government jurisdictions.

#### **Policy F.2.** *(City Employment Force Funding)*

The City will provide adequate funding to stabilize the City employment force to minimize uncertainty about the continuity of the service delivery system.

#### **Policy F.3.** *(Staffing Levels)*

The City will match job classifications and number of positions to the service delivery system and will communicate service and staff adjustments to the public and parties affected by changes.

#### **Policy F.4.** *(Service Levels and Performance Standards)*

The City Council will adopt service levels and performance standards which reflect community expectations and requirements set by other levels of government. The City is committed to examining how it provides services so that service levels and performance standards are met or exceeded at the least cost to the public.

#### **Policy F.5.** *(Market Based Employee Compensation)*

Consistent with available resources, employee compensation will be market based, comparable to public and private sector compensation paid in the relevant recruiting area.

#### **Policy F.6.** *(Evaluation of Service Delivery System)*

The City will routinely evaluate both its administrative and direct service delivery systems, according to established efficiency and effectiveness criteria, to determine whether a service should be provided by the City, or by agreement with another provider, or eliminated due to changes in community requirements.

#### **Policy F.7.** *(Intergovernmental Contracts)*

The City will evaluate its use of intergovernmental service contracts to prevent duplication of services in overlapping jurisdictions and to assure an effective and efficient service delivery system to the community.

#### **Policy F.8.** *(Multi-Agency Service Reviews)*

The City will participate in multi-agency reviews (including local government, public utilities, school districts, and not-for-profit agencies) to evaluate and change service systems to ensure optimal use of public funds.

### G. Other Policies

#### **Policy G.1.** *(Compliance with Laws and Standards)*

The City will comply with mandatory Federal, State, and local laws and regulations and, when appropriate, will comply with industry and professional requirements or standards.

#### **Policy G.2.** *(Budget Committee)*

A Budget Committee will be appointed in conformance with ORS 294.335 and Eugene Code 2.013. Lay members of the Budget Committee serve for terms of three years. The Budget Committee's chief purpose is to review the City Manager's Proposed Budget and prepare a recommendation for Council consideration. The Budget Committee may consider and develop recommendations on other financial issues at the direction of City Council.

#### **Policy G.3.** *(Supplemental Budgets)*

After adoption of the City's annual budget, the Council will process supplemental budgets in compliance with ORS 294.480 as needed to keep the budget reflective of the current service environment and to ensure that the appropriations are as current as possible.

#### **Policy G.4.** *(Related Entities)*

Entities established or sanctioned by the City Council for which the City is deemed to be 'financially accountable', will comply with the Eugene Code and City Council-adopted policies and procedures and will be accountable for operational and financial compliance and reporting standards as established by the Council or its designee.

### Debt Issuance Guidelines

(Revisions Approved by City Council on May 14, 2007)

The following debt issuance guidelines apply to debt issued by the City of Eugene and the Eugene Urban Renewal Agency.

### Credit Worthiness

1. The City will seek to maintain and, when feasible, improve its credit rating so its borrowing costs are minimized and its access to credit is preserved and enhanced.
2. The City will maintain good communications about its financial condition with credit rating agencies and the credit market.
3. The City will follow a policy of full disclosure that meets or exceeds the disclosure guidelines developed by the Government Finance Officers Association and the Governmental Accounting Standards Board.

### Purposes for Borrowing

1. The City will not fund current operations from externally borrowed funds, except to meet short term cash flow requirements.
2. The City may borrow on a short-term basis for capital improvements in anticipation of issuing long-term debt or for cash flow purposes during a construction project.

3. The City will confine long-term borrowing to capital improvements or projects that cannot be fully funded from current revenues.
4. The City will encourage the use of pay-as-you-go financing for capital improvements when feasible and affordable.
5. Assessment bonds may be issued for local improvements in accordance with the City's assessment policies.
6. The City may refund existing debt according to the policies set out under "Refunding Debt" section below.
7. The City may act as a conduit issuer according to the policies set out under "Conduit Financings" section below.

### Refunding Debt

1. Borrowing externally to fund the unfunded accrued liability of the Public Employees Retirement System (PERS) is considered refunding of an existing liability to PERS.
2. The City will issue advance refunding bonds (as defined by federal tax law) when advantageous, legally permissible, prudent and when the net present value savings is a minimum of three percent of the refunding par amount, as required by state law.
3. The City will issue current refunding bonds (as defined by federal tax law) when advantageous, legally permissible, prudent and when the net present value savings exceed \$100,000.
4. Refundings may also be undertaken for other reasons when legally permissible, prudent and when in the best interests of the City.

### Security for Debt Issues

1. Approval to use the general obligation pledge will be sought from voters only for projects that cannot be self-supporting and that provide a general benefit to City residents.
2. The City's full faith and credit (i.e., the General Fund) may be pledged as a primary or secondary source of repayment of long-term debt obligations when it is determined that this pledge is in the best interests of the City. Debt secured by the City's full faith and credit should be supported by predictable revenues. In addition, the City may require administrative measures designed to protect the City's General Fund, such as internal rate covenants and reserves. These internal administrative measures will not be pledged to bondholders.
3. Enterprise funds and other revenue-backed bond issues will maintain the highest level of debt service coverage ratios and reserves as possible, balanced against the cost of such measures, the need to preserve equity and a desire to maintain affordability in user fees.
4. Credit enhancement should be considered for debt issues where the cost of the enhancement is expected to be less than the savings in interest over the life of the issue.
5. Prior to issuing Bond Anticipation Notes, the City will have secured authority for the permanent bond financing that will be used to repay the notes.

### Financing Methods

1. The City will analyze the various financing methods available for any proposed borrowing and choose the method that is most cost effective, that is appropriate from a risk perspective, and that is legally and administratively feasible. Financing methods examined could include, but are not limited to, general obligation bonds, full faith and credit securities, revenue bonds,

notes, lines of credit, commercial paper, lease or lease purchase transactions, grants, federal or state loans, intergovernmental agreements, or partnerships with the private sector.

2. Lease purchase debt, including certificates of participation, will be considered as an alternative financing method for capital projects or long-term vendor leases when cost effective and when the City does not want to seek the General Obligation pledge from voters.

### Administration of City Debt

1. The City will consider affordability prior to entering into any new borrowing program. The debt ratio guidelines contained in this policy define the affordable level of debt for the City.
2. When the City issues long-term debt, it will repay the debt within a period not to exceed the useful life of the improvements or equipment.
3. The City will repay debt rapidly to recapture its credit capacity for future use and to minimize interest costs. For major capital projects, repayment on such debt will not exceed 21 years. Assessment debt will mature over a 10-year period. Debt issued to fund a pension obligation may be for a longer period of time to match the amortization schedule used by PERS in determining the City's annual payment obligation.
4. Revenues dedicated to make bond payments are to be budgeted for debt service payments before they are appropriated for any other purpose.
5. All voter-approved general obligation debt will be sold through competitive bids. Exceptions may be made for refunding bond issues or where the City is issuing bonds with different security pledges at the same time as the general obligation debt. Non-general obligation debt may be sold on a negotiated basis if the City determines that it offers significant advantages in marketing the issue.
6. Private placement of debt may be appropriate under certain circumstances. The costs of private placement of debt will be compared to market financing before recommending this method.

### Conduit Financings

1. Conduit financings are financings that the City provides for the benefit of non-governmental entities to allow those non-governmental entities to obtain low cost, tax-exempt financing. Conduit financings are not secured by any revenues or assets of the City except revenues and assets provided by the non-governmental entities that benefit from the conduit financings. The United States Internal Revenue Code substantially limits the ability of the City to provide conduit financing; conduit financings are only available for small manufacturing facilities, facilities used by qualified 501(c)(3) organizations, certain kinds of low income housing projects, and other projects that can be financed with "qualified bonds" as defined in the Internal Revenue Code.
2. Recognizing that the City is able to issue debt for broad purposes, it may be appropriate to enter into a conduit financing on behalf of another party when the City Council determines that the proposed project will provide a general benefit to City residents and/or the City economy.
3. Conduit financing will be considered only when a project is consistent with the city's overall service and policy objectives.
4. The City should not incur any moral or financial obligation under a conduit borrowing.
5. The City will only consider conduit financings that will insulate the City from any credit risk.
6. Any financing issued through the City must qualify for an investment grade rating by one of the nationally recognized statistical rating agencies or provide alternative credit enhancement

from a third party satisfactory to the City or a corporate guaranty if the corporation carries an investment grade rating.

7. All expenses related to conduit financing will be borne by the third-party applicant for whom the debt is being issued.
8. The City will establish review procedures of the requesting party for projects, including adherence to public contracting requirements, development of a financial feasibility study of the project, and submission of annual financial statements to ensure the ability to repay the debt.

### Key Debt Ratios

The City's ability to issue general obligation debt is limited by state statutes to 3% of real market value. This level of outstanding debt would be financially burdensome and not considered a prudent amount of debt by credit analysts and bond investors. There are several key debt ratios that investors and financial analysts use when reviewing a city's credit worthiness. The City of Eugene has established this set of debt ratio guidelines that are to be used as a measure of the affordability of a new debt program. These guidelines are periodically reviewed by the Investment Advisory Board, and are listed below.

1. Net direct debt as a percentage of real market value shall be a maximum of 1.0%.
2. A minimum of 50% of net direct debt shall be retired within 10 years.
3. Maximum annual debt service on all General Fund-backed debt shall be limited to 10% of General Fund expenditures in the year in which the debt is issued. Of this amount, long-term debt that has a primary pledge of General Fund resources shall be no more than 5% of General Fund expenditures.

The following definitions apply to the City's debt ratio guidelines:

- **Net direct debt** includes all debt that is repaid from taxes (excluding URA tax increment revenues), such as General Obligation bonds and bonds backed by the City's full faith and credit pledge. Debt secured solely by revenues and Urban Renewal Agency debt are excluded from the City's net direct debt.
- Debt that includes a General Obligation or full faith and credit pledge may be excluded from the calculation of net direct debt as **self-supporting debt** where it can be demonstrated that there are other non-tax revenues available that are sufficient to make the debt service payments.
- **Pension obligation debt** will be excluded from the City's calculation of net direct debt in order to provide a debt statement comparable to other jurisdictions. This debt does not represent a new obligation of the City; rather, it represents replacement of an existing obligation that the City had in the form of an unfunded pension obligation that had previously been paid in installments to PERS.
- Short-term debt and leases that are subject to appropriation are not included in the statement of gross direct debt or net direct debt.
- The definition of net direct debt may change as the revenues supporting a debt issue change, or as new types of debt are added to the City's debt position. In categorizing debt on the statement of net direct debt, the City will attempt to mirror the calculation prepared by the bond rating agencies that rate the City's debt.

- **General Fund-backed debt** is debt that has a primary or secondary security pledge from the City's General Fund, such as limited tax assessment bonds, Library Full Faith and Credit Obligations, Broadway Place Limited Tax Bonds, and Atrium Full Faith and Credit Obligations. Voter-approved General Obligation bonds and the pension obligation bonds are excluded from the definition of General Fund debt.
- The **General Fund expenditures** used for the purpose of measuring debt service to expenditures will be those in the main General Fund, excluding any subfunds.
- Extraordinarily high debt service on a bond issue in the first or last year (such as a long first interest payment or a balloon payment at the end) shall not be subject to the debt service to expenditures policy.